



**CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
REGULAR MEETING**

November 16, 2010

**Economic Vitality Division Conference Room
4021 N. 75th Street Suite 102
SCOTTSDALE, ARIZONA 85251**

APPROVED MINUTES

PRESENT: Kate Birchler, Chairwoman
David Richard (left 9:42 a.m.)
Michael Hoffmann
Leon Young (arrived 8:08 a.m.)
Ace Bailey

ABSENT: Mike Surguine, Vice Chairman
Sam Fox, Commissioner

STAFF: Steve Geiogamah, Tourism Development Coordinator
Kathy Montalvo
Harold Stewart

OTHERS PRESENT FOR ALL OR PART OF THE MEETING:

Brent DeRaad, SCVB
Lee Guillory

1. Call to Order/Roll Call

Chairwoman Birchler called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:03 a.m.

2. Approval of Minutes

COMMISSIONER HOFFMAN MOVED TO APPROVE THE OCTOBER 19, 2010 REGULAR MEETING MINUTES. SECONDED BY COMMISSIONER RICHARD, THE MOTION CARRIED UNANIMOUSLY WITH A VOTE OF FOUR (4) TO ZERO (0). VICE CHAIRMAN SURGUINE AND COMMISSIONER FOX WERE ABSENT, AND COMMISSIONER YOUNG ARRIVED LATER.

3. Manager's Report

a. Staff Bed-Tax Collection Report

Mr. Geiogamah reported that bed tax collections were up 4 percent for the month of September with the year-to-date up 3 percent. Hotel/motel sales tax collection was down 10 percent, miscellaneous retail tax was up 14 percent, and restaurants tax collections were up 1 percent. He explained that for purposes of clarification, an additional column was added to the report outlining the actual bed tax collections for FY 2009/10.

Commissioner Richard suggested that renaming the comparison "room revenue taxable change" would be more clear.

Ms. Guillory explained that sales taxes are tracking more than 2 percent below what was forecast due to lower commercial lease rates. The main categories driving sales tax are the rental categories. Decreases have also been seen in construction taxes and automobile sales.

Ms. Guillory asked what the hoteliers are seeing in year-over-year revenue changes. Commissioner Richard said occupancy is up approximately 4 percent, but room rates are flat. Compression is being created so that the room rate can be driven next year.

b. Bed Tax Proforma

Ms. Guillory explained the changes in the Bed Tax Proforma over last month. A major change is seen in capital projects. The surplus deficit line was moved to correct the omission of the bed tax shortfall, which made a difference in the surplus. A one-time audit payment received caused a hotel bed tax shortfall to change, which makes the CVB's portion of the shortfall zero and the City's estimated portion approximately \$403,000.

Revenue adjustments were targeted to be \$10.6 million for the year based on the assumption that the bed tax receipts would continue trending down and then trend back up. Because bed tax receipts trended up sooner than expected, the forecast has changed. The number will go to approximately \$11.6 million, giving the CVB another \$0.5 million.

In response to a question by Commissioner Richard, Mr. DeRaad explained that when a new forecast is issued that will not be settled by year's end, a request would be made to carry the dollars to the next fiscal year so the funds can be used in that fiscal year's

programming. Ms. Guillory explained that as the projected target is changed, the CVB will see an increase in their payments.

Commissioner Richard requested that at a future meeting the CVB present their strategy for using any contingency funds. Mr. DeRaad said that per the instructions of the board of directors approximately \$500,000 from the reserves was reprogrammed to marketing in New York and Canada. If additional dollars were made available, the CVB has a project list that could be presented to the Commission. Commissioner Richard asked that a review of the project list be agendized for a future Commission meeting.

Chairwoman Birchler recalled that the Commission and staff made recommendations to City Council about how to use the City's 50 percent and asked that the Commission be informed on spending decisions. Mr. Stewart said that City Council allocated the community event funding, which was approximately \$45,000 out of the event money.

Commissioner Hoffman commented that trends are showing that parts of the world have thriving economies and Europeans travel in search of sunshine and heat. He suggested that marketing efforts be focused on Europe. Mr. DeRaad noted that a team just returned from a trip to London. He agreed that marketing in Europe by working with tour operators and travel agents would be a good strategy, especially in the UK and Germany. Investments in the European market in past years resulted in a substantial increase in visitors. Discussion ensued regarding the limited flights leaving from Sky Harbor and partnering with Phoenix and their aviation division to make improvements.

Commissioner Young asked about the WestWorld improvements. Mr. Stewart explained that WestWorld is in need of improvements primarily for the benefit of the large events. In July City Council established a group of improvements, to be funded out of the capital funds, including parking and ADA improvements. The plan does not include structural improvements.

In response to a question by Chairwoman Birchler, Mr. Stewart explained that the position of City Council is that once money is allocated to the City they will make decisions on how to allocate spending without consulting the Commission. City Council is focusing heavily on using the City's portion for capital improvements.

Commissioner Young felt strongly that the City should take advantage of the opportunity to develop a venue that would appeal to the convention business.

Chairwoman Birchler said that in addition to the written update, the manager's monthly report should include information on how City Council is utilizing the bed-tax money and if a topic is agendized for a City Council meeting that could be of interest to the Commission.

Commissioner Hoffman commented that there should be a list of important projects and the potential cost of maintenance.

c. Smith Travel Report

None.

d. Manager's Report

Mr. Stewart discussed the potential expansion and improvement of the WestWorld Equidome. The primary driver for doing improvements at this time is expressed interest from the National Arabian Horse Show to move from Tulsa to Scottsdale in 2013. Cost projections for expansion of the existing facility are approximately \$33 million plus a debt service cost of \$2.5 million. Financing could come through a bond election or from MPC bonds backed with a dedicated revenue source. The only dedicated revenue source available at this time is the bed tax. During their next meeting, City Council will consider putting out a request for qualifications for an architectural firm to design an expansion to the existing facility. There are four steps required to commit to funding for the facility: selection of an architect, design, putting construction out to bid, and selection of the construction company. Money would not be committed until September or October of 2011. Improvements are estimated to draw in the National Arabian Horse Show and approximately 12 smaller events, generating another \$1 million per event.

Also being considered is a request by a private investor to use the City's 80 acres north of Bell Road for a western town and a proposal for a large event center/multipurpose building at WestWorld that would cost approximately \$75 million with a debt service cost of at least \$6 million.

Commissioner Young asked how best to qualify what investments such as MEAF funding will do for the economy. Chairwoman Birchler noted that the Event Subcommittee discussed creating an economic impact study standardized across all events. Further discussion is agendized for the study session.

Commissioner Richard commented that the National Arabian Horse Show brings a large following of South American and Middle East visitors. He feels it is important to have representatives from the TDC and both equestrian and non-equestrian event planners participate in the decision making process for a new facility to ensure that the facility is marketable for a variety of uses. Mr. Stewart said that WestWorld would work together with the CVB to ensure maximum value.

Commissioner Hoffman opined that the bigger issue is determining where the City wants to be in ten years and how to achieve that goal. The facility should not be limited to only equestrian.

Mr. Stewart noted that part of the DDC discussion included conversation about the possibility of developing event centers. In the current economy, Council would need true feasibility studies to be convinced to commit to the long-term financial support of multiple facilities.

Chairwoman Birchler suggested that the conversation be continued as part of the general discussion about event development during the study session.

7. Scottsdale CVB Fiesta Event Proposal

Chairwoman Birchler recused herself from the conversation because Westcor is involved in the venue management agreement.

Mr. DeRaad reviewed the agreement with the Fiesta Bowl, which is in year 5 of a 20-year agreement.

ESPN approached the CVB with interest in broadcasting from the South Bridge in the days leading up to the National Championship bowl game. Mr. DeRaad explained their locating in Scottsdale was contingent on Scottsdale ensuring that several hundred people will be present during the broadcasts. Event producers have been selected and are planning to create a Monday through Thursday \$2 tailgate party in the plaza behind the ESPN setup onto the trolley bridge and crossing the canal. Six top Scottsdale chefs at a time will serve food out of a sponsored pickup truck. Either Ford or Chevy will get the sponsorship. Ticket promotions will be done to drive local residents and incoming fans to the area.

ESPN will provide Scottsdale with a promotion value pack valued at over \$100,000. The CVB would like to invest \$100,000 into the event and be reimbursed for that dollar amount. The intention is to install irrigation equipment and sod on the dirt lot controlled by Starwood Capital Partners. He noted that the site is used throughout the year for special events; beautifying the site will make it a more valuable venue.

Mr. DeRaad presented the proposed contract between the CVB and the event producers, which outlined what each entity would provide including maintenance of the sod on the dirt lot. He said that the event will include the staging of pep rallies for both Fiesta Bowl teams and both BCS National Championship teams.

Commissioner Richard asked if the Starwood site would be available for both private and public events. Mr. DeRaad said that any event operator could sign a liability agreement with Starwood Capital.

In response to a question asked by Commissioner Bailey, Mr. DeRaad said that the CVB will have concierges available to advise fans about activities, including activities south of Indian School.

Commissioner Young commented that the ESPN event will reinforce to the rest of the country the fact that Arizona is a great place to be in the winter.

COMMISSIONER HOFFMAN MOVED TO SUPPORT THE AGREEMENT AND THE ALLOCATION OF \$100,000 FOR EVENT INFRASTRUCTURE IMPROVEMENTS AND SOD. SECONDED BY COMMISSIONER RICHARD, THE MOTION CARRIED WITH A VOTE OF FOUR (4) TO ZERO (0). VICE CHAIRMAN SURGUINE AND COMMISSIONER FOX WERE ABSENT AND CHAIRWOMAN BIRCHLER WAS RECUSED.

In response to a question asked by Chairwoman Birchler, Mr. Geiogamah noted that City Council approved the submitted DDC recommendation and allocated approximately \$85,000 in bed tax funds for Phase III. Commissioner Richard added that the funds will be used to assemble a committee that will determine primarily who will govern the facility. The McDowell Sonoran Preserve Commission presented an alternative proposal that was not considered.

4. FY2010/11 MEAF Legacy Program

Mr. Geiogamah reviewed the discussion had at the Event Subcommittee meeting. The TDC will discuss the possibility of a standardized events economic impact report and review event programs in other areas of the country such as Las Vegas and Florida during the study session on November 30.

Mr. Geiogamah said that Mr. Stewart would like to move forward with the Legacy program recommendation to City Council in December.

Chairwoman Birchler opined that it would be inappropriate to forward a recommendation to City Council without further discussion and drafting verbiage for an amendment to the sign ordinance.

Commissioner Richard said that MEAF and special new events programs need adjustment and the whole project, including Legacy, needs to be revamped. Event producers in attendance at the Event Subcommittee meeting found value in a standardized economic impact study.

Chairwoman Birchler clarified that although the Legacy program outline should be started over from scratch, the Commission is in support of the program. The TDC should consider the Legacy program during the work study. Then the subcommittee should reconvene for further discussion and recommendation to the TDC. The biggest obstacle with the City will be the sign ordinance and the producers' request to have banners included as a benefit of the Legacy program.

5. FY 2009/10 Scottsdale Convention And Visitor's Bureau Contract Year-End Performance Measures Report

Mr. DeRaad reviewed the performance measures, most of which were reached for FY 2009/10, the expenditures were conservative, but the rest of the overall numbers were met or exceeded.

6. FY10/11 SCVB First Quarter Performance Measures Report

Mr. DeRaad expressed concern about the convention sales room night generation. He said that SB 1070 has had an effect on some of the small association businesses because of their diverse cross-section of attendees. Corporate business has been good and the association market is being pursued. He mentioned challenges that were faced because of the CVB's low staff levels.

Chairwoman Birchler commended the CVB for their efforts. She agreed that SB 1070 could continue to be a challenge.

Commissioner Bailey said the CVB did a good job getting information in the Architectural Digest about activities at South Bridge.

8. Identification of Future Agenda Items

Mr. Geiogamah confirmed that the work study will be held on November 30, 2010 at the Boulders from 9:00 a.m. until approximately 2:00 p.m. In response to a question from Chairwoman Birchler, he noted that the only potential conflict with cancelling the December meeting would be the audit request for possible changes to the bylaws before the end of the year. Chairwoman Birchler suggested that the Commission have a discussion about the bylaws as part of the study session and then possible gather telephonically to take action if necessary.

9. Public Comment

There were no public comments.

10. Adjournment

The meeting adjourned at 9:49 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.